Appendix 4E

Annual Financial Report
Results for announcement to the market

Name of entity
MNEMON LIMITED

ABN	**Financial Year ended ('Reporting Period')**	**Previous Financial Year ended ('Corresponding Period')**
94 125 736 914	30 Jun 14	30 Jun 13

Results for announcement to the market

				$A'000
Revenue from continuing operations	~~up~~/down	5.74%	to	63,938
Revenue from discontinuing operations	~~up~~/down	100.00%	to	0
Revenue from ordinary activities	~~up~~/down	6.53%	to	62,612
Profit/(loss) from ordinary activities after tax attributable to members	up/~~down~~	85.42%	to	(2,240)
Net profit/(loss) for the period attributable to members	up/~~down~~	86.70%	to	(2,240)

Dividends and distributions	Amount per security	Franked amount per security
Final dividends	N/A	N/A
Interim dividends	N/A	N/A
Information on dividends and distributions: No dividends or distributions were paid during the reporting period.		

Net Tangible Asset Backing	Year ended 30 June 2014	Year ended 30 June 2013
Net tangible assets per security	7.34 dollars	50.71 dollars

Commentary

Mnemon Limited is the legal Parent of the Group, however, this report is presented on the basis that DealsDirect Group Pty Limited is the accounting Parent of the Group.

Mnemon Limited

ABN 94 125 736 914

Annual Financial Report for the Year ended 30 June 2014

Contents to financial report

Corporate information

ABN	94 125 736 914	
Directors	Ms Naseema Sparks (Chairman)	Appointed 17 January 2014
	Mr David Leslie	Appointed 17 January 2014
	Mr Elliott Kaplan	Appointed 17 January 2014
	Mr Alexander Beard	Resigned 17 January 2014
	Mr Ben Grootemaat	Resigned 17 January 2014
	Mr John Hunter	Resigned 17 January 2014
Company Secretary	Ms Leanne Ralph	Appointed 28 February 2014
	Mr John Hunter	Resigned 17 January 2014
	Mr Mark Tayler	Appointed 17 January 2014 and Resigned 28 February 2014
Registered office	5 Inglis Road Ingleburn NSW 2565 Phone: 61 2 9641 2222 Facsimile: 61 2 9641 2299	
Principal place of business	5 Inglis Road Ingleburn NSW 2565 Phone: 61 2 9641 2222 Facsimile: 61 2 9641 2299	
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272 or 1300 850 505 Facsimile: 61 2 8235 8150	

Mnemon Limited shares are listed on the Australian Securities Exchange (ASX)

Legal advisors	Kardos Scanlan Level 5, 151 Castlereagh Street Sydney NSW 2000
Bankers	National Australia Bank 255 George Street Sydney NSW 2000
Auditors	Ernst & Young 680 George Street Sydney NSW 2000

Directors' report

Your directors submit their report for the year ended 30 June 2014.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ms Naseema Sparks B Pharm, M Pharm (Pharmacol), MBA, GAICD (Non-executive Chairman)
Ms Sparks is deputy Chairman Racing NSW, Non-Executive Director of Melbourne IT, AIG, Shadforth Financial Group and PMP. Ms Sparks was previously the Managing Director of M&C Saatchi and has extensive experience in traditional and digital marketing. Ms Sparks was elected effective from 17 January 2014.

Mr David Leslie B Bus (Non-executive director)
Mr Leslie is an Investment Manager at Ellerston Capital Limited having joined the firm in 2005. Mr Leslie has extensive experience in the technology, gaming and consumer sectors with investment responsibility for public and private investments. In his previous role as Director of Australian Equities Research at Deutsche Bank, Mr Leslie was a highly rated research analyst including the Gaming and Technology sectors. Mr Leslie is also an alternate director of Temando Pty Ltd and Intrepica Pty Ltd. Mr Leslie was elected effective from 17 January 2014.

Mr Elliott Kaplan B Acc CA - (Non-executive director)
Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and Chief Executive Officer roles in both private and public listed companies. His experience, from both an investor and investee perspective, spans a diverse range of industries including manufacturing, environmental, distribution and services. Mr Kaplan is the Managing Director of CVC Private Equity Ltd, a non-executive director of Cellnet Limited, the chairman and non-executive director of Pro-Pac Packaging Limited and a director of a number of unlisted companies. Mr Kaplan is also a former director of Dolomatrix Limited and the Environmental Group Limited. Mr Kaplan was elected effective from 17 January 2014.

Previous directors and resignations

Mr Alexander Beard (Chairman) resigned 17 January 2014
Mr Ben Grootemaat (Non-executive Director) resigned 17 January 2014
Mr John Hunter (Non-executive Director) resigned 17 January 2014

Interest in the shares and options of the Parent and related bodies corporate

As at the date of this report, the interests of the directors in the shares of Mnemon Limited were:

	Number of ordinary shares
N. Sparks	4,604
D. Leslie	-
E. Kaplan	-

Company Secretary

Ms Leanne Ralph	Appointed 28 February 2014. Ms Ralph is a member of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and the Australian Institute of Company Directors. She is a principal of Boardworx Australia Pty Limited which supplies outsourced company secretarial services to a number of listed and unlisted companies. Ms Ralph has a BBus and is a Certified Practicing Accountant (CPA).
Mr Mark Tayler	Chief Financial Officer. Appointed as Company Secretary on 17 January 2014 and resigned as Company Secretary on 28 February 2014 upon Ms Ralph's commencement.

Dividends

No dividends have been recommended or paid in the current or prior year.

Principal activities

The company's sole activity is the selling of goods via an online retail offering.

Operating and financial review

The company operates in the online retail sector in Australia, specialising in a range of home and lifestyle products. The company procures product from both local and international sources with approximately 70% of those products fulfilled from a purpose built Distribution Centre in Ingleburn, South West Sydney.

Set out below are a number of restructuring initiatives that were successfully implemented in late FY13 and early FY14. These resulted in significant ongoing cost reductions and productivity improvements.

- Closure of non-performing business units which resulted in significant "one off" expenses in FY13
- Significant reduction in headcount including the relocation of customer service to Manila which has resulted in a circa 40% reduction in overall employment costs
- Refocusing of the marketing spend to strong "Return on Investment" based initiatives and the insourcing of key functions resulting in a circa 25% saving in marketing expenditure
- The implementation of additional strategies to reduce both fixed and variable expenses in relation to IT costs, warehousing costs and consultancy costs
- Implementing an inventory light model by scaling up non-owned inventory channels such as consignment and drop-ship

The company's full year trading results are summarised below:

	Consolidated	
	2014 $'000	2013 $'000
Revenue	63,938	67,832
Gross Profit	15,035	11,590
Gross profit %	*24%*	*17%*
Net loss before tax (excluding one off items)	(1,239)	(11,265)
Closing cash balance	5,813	1,079
Closing inventory	6,452	6,275

Significant changes in the state of affairs

Mnemon Limited (ASX: MNZ) was a listed entity that had sold all operating subsidiaries. MNZ acquired DealsDirect Group Pty Limited ("DDG") and its subsidiary DealsDirect Pty Limited via reverse acquisition on 17 January 2014 with DDG assuming control of the Group. The acquisition was completed on an equity for equity basis with a simultaneous capital raising of $6.2m (5,127,000 shares at $1.20 per share) to make funds available for acquisitions in the e-commerce space and to fund working capital.

The transaction was a strategic opportunity to create a listed e-commerce entity with a mandate to consolidate e-commerce assets which can leverage DDG's scale and operating capability. Upon completion of the DDG acquisition, the company allotted 12,500,000 ordinary shares ($15,000,000) to the vendors of DealsDirect Group Pty Limited as consideration.

On 22 April 2014, the company entered into a share sale agreement to acquire online retailer TopBuy Australia Pty Ltd ("TopBuy"). TopBuy (topbuy.com.au) was founded in 2007 with key strengths in the online retail of branded consumer electronics, fashion and general merchandise. TopBuy has robust sourcing infrastructure in China and Hong Kong, enabling direct order fulfillment to consumers in Australia. It has a database of over 200,000 active customers. The co-founders continued in key roles within the senior management of TopBuy with the management team having extensive experience in online retail and product sourcing in China. The total consideration for TopBuy was $2.25m and was settled by way of $0.325m cash with the balance to be settled in MNZ shares. There is a $0.25m incentive earn out component.

The acquisition of TopBuy has further strengthened the company's online retail presence by virtue of the combination of the active customer bases and the cross promotion opportunities arising from this. In addition, there are further synergies arising out of the centralised distribution centre in Western Sydney, combined freight savings, staffing synergies and Asia direct to customer shipping capabilities which will path the way for an inventory light model.

Significant events after the balance date

On 5 August 2014, the company announced that it had agreed to merge with Grays (Aust) Holdings Pty Limited (Grays). The transaction, if completed, will result in a combination of the Mnemon businesses with the Grays business.

The transaction will see MNZ acquire 100% of Grays via a scrip-for-scrip offer to Grays shareholders, significantly increasing the market capitalisation of the Group.

The transaction is subject to shareholder approval and ASX waivers.

Likely developments and expected results

The merger with Grays will see the company becoming the largest listed online retailer in Australia with a number of cost and revenue synergies anticipated.

Environmental regulations and performance

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Share options

As at the date of this report, there were 833,333 unissued ordinary shares under options. The options are unlisted with an expiry date of 31 December 2015 and an exercise price of $1.20.

The options will not be listed and the option holders are not entitled to dividends, distributions or interest payments over the options.

Each option is exercisable at any time during the period from the date of its issue until 31 December 2015. Each option holder is obliged to exercise all of its options if, at any time during the Exercise Period, trading in the Company's ordinary shares on the ASX close at a price which is equal to or greater than 1.5 times the exercise price of each option for consecutive 20 trading days. Once the Board determines that the criteria noted above is satisfied, the option holder must exercise that option within 1 month after the date on which the criteria was satisfied.

Upon exercise, each option entitles the option holder to be allotted 1 fully paid ordinary share.

Each unexercised option will automatically lapse if it is not exercised by the end of the Exercise Period.

Unless the Company decides otherwise, each unexercised option will automatically lapse if it is not exercised within 1 month after it is required to be.

During the financial year, no shares were issued as a result of the exercise of the above share options.

Indemnification and insurance of directors and officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Mnemon Limited against legal costs incurred in defending proceedings for conduct other than:

- A wilful breach of duty
- A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
N. Sparks	13*	11	1	1	1*	1
D. Leslie	13	10	1	1	1	1
E. Kaplan	13	11	1*	1	1	1
Directors who have resigned						
A. Beard	2	2	-	-	-	-
B. Grootemaat	2	2	-	-	-	-
J. Hunter	2	2	-	-	-	-

* Denotes Chairman

Committee membership

At the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee. All directors are members of both committees.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) and where noted ($000) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the class order applies.

Auditor independence

The directors received a declaration of independence from the auditor of Mnemon Limited which is included on page 54.

Non-audit services

Ernst & Young Australia received or is due to receive the following amounts for the provision of non-audit services:

Accounting assistance	65,370
Tax compliance	10,920
	76,290

a) The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act; and
b) The directors' are of this view as it is their opinion that that the nature and scope of the non-audit services would not compromise the auditor independence requirements of this Act.

Remuneration report audited

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), and other senior executives of the Parent and the Group.

The Key Management Personnel of the Group for the year ended 30 June 2014 are:

(i) Non-executive directors

N. Sparks	Chairman (non-executive)	Appointed 17 January 2014
D. Leslie	Director (non-executive)	Appointed 17 January 2014
E. Kaplan	Director (non-executive)	Appointed 17 January 2014

Directors who have resigned

A. Beard	Chairman (non-executive)	Resigned 17 January 2014
B. Grootemaat	Director (non-executive)	Resigned 17 January 2014
J. Hunter	Director (non-executive)	Resigned 17 January 2014

(ii) Other Key Management Personnel

M. Rosenbaum	Interim Chief Executive Officer
M. Tayler	Chief Financial Officer (Company Secretary for the period 17 January 2014 to 28 February 2014)

Other than the resignation of the three directors noted above, there were no other changes to KMP after the reporting date and before the financial report was authorised for issue.

2. Remuneration governance

Remuneration and Nomination Committee

The Committee assists and advises the Board on remuneration policies and practices for the Board, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), senior executives and other persons whose activities, individually or collectively affect the financial soundness of Mnemon.

The Committee also assists and advises the Board on:

- director selection and appointment practices
- director performance evaluation processes and criteria
- Board composition

succession planning for the Board and senior executives to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Mnemon as a whole.

The Committee is responsible for developing, reviewing and making recommendations to the Board on:

- the ongoing appropriateness and relevance of the remuneration framework for the Chairman and the non-executive directors;
- Mnemon's policy on remuneration for the CEO and senior executives, any changes to the policy and the implementation of the policy;
- the total remuneration packages for the CEO and senior executives (including base pay, incentive payments, equity based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed awards after performance evaluation procedures;
- Mnemon's recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
- incentive schemes, if appropriate, for the CEO and senior executives; and
- equity based plans, if appropriate for the CEO, senior executives and other employees.

The Committee is also responsible for monitoring and providing input to the Board regarding:

- legislative, regulatory or market developments likely to have a significant impact on Mnemon and legislative compliance in employment issues;
- the remuneration trends across Mnemon, including
  - o the trends in base pay for senior management relative to that of all Mnemon employees; and
  - o remuneration by gender; and
- major changes to employee benefits structure in Mnemon.

For any incentive schemes or equity based plans which are adopted, the Committee is responsible for:

- reviewing their terms (including any performance hurdles);
- overseeing their administration;
- considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval.

The Committee will meet as frequently as required to perform its functions, but not less than two times per year. The Chairman must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the Chairman of the Board.

The Board is ultimately responsible for decisions made on recommendations from the Committee.

3. Remuneration policy

Principles used to determine the nature and amount of executive remuneration

The company's objective is to ensure reward for performance is competitive and appropriate for the results delivered such that executive rewards align with the achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward.

The Remuneration and Nomination Committee and the Board ensure that executive remuneration satisfies the following key criteria for good reward governance practices.

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment if executive compensation
- Transparency
- Capital management
- Has achievement of economic profit as a core consideration
- Focuses on sustained growth in shareholder wealth
- Attracts and retains high calibre executives
- Rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth
- Provides a clear structure for earning rewards
- Provides recognition for contribution

Short Term Incentive Plan

Executives may be offered, as a component of their remuneration, a short term incentive. This is entirely at the discretion of the Board.

STI components may vary according to individual contracts. They are predominantly based on the following:

- Financial performance of the business or measured against budgets
- Individual performance of the executive based on a number of factors that include achievement of key performance indicators and other personal objectives

Long Term Incentive Plan (LTI) - Performance Rights Plan (PRP)

On 18 December 2013, shareholders approved a Performance Rights Plan (PRP) and the subsequent issue of securities under that plan. Pursuant to the PRP, the Board has discretion to offer performance rights to senior management as a form of long term equity incentive.

At balance date, the approved LTI/Performance Rights program had not been implemented.

Other employees remuneration

The remuneration policy for all other employees aligns closely with that of the executive team. Specifically:

- Fixed remuneration is reviewed annually
- Statutory superannuation is provided for
- Some employees may be eligible for a bonus payment at the discretion of the executive team

4. Other transactions and balances with Key Management Personnel and their related parties

During the year, Key Management Personnel were entitled to purchase goods from DealsDirect Pty Limited (DealsDirect.com.au) at a discounted price being cost plus 10% plus GST. The total purchases made by Key Management Personnel was $3,874 (2013: $5,900).

5. Executive remuneration outcomes for 2014

The table below sets out details of executive remuneration for the years ended 30 June 2014 and 30 June 2013.

Executive remuneration for the years ended 30 June 2014 and 30 June 2013

		Short Term Benefits			Post			
Key Management Personnel		Salary & Fees $	Bonus [Note 1] $	Reportable Fringe Benefits $	Employment Superannuation $	Long Service Leave $	Total $	Performance Related %
Michael Rosenbaum	2014	207,256	12,500	8,438	20,327	12,500	261,021	0%
	2013	209,270	-	5,898	18,834	-	234,002	0%
Mark Tayler	2014	173,963	12,500	-	17,248	-	203,711	0%
	2013	136,909	-	-	12,322	-	149,231	0%

Note 1: the "Short Term Benefits – Bonus" noted above reflects a discretionary bonus payment awarded by the Board. This is not in accordance with any contract of employment and is therefore not viewed as a performance related component of fixed remuneration. Grant date of the bonus is 13 June 2014.

6. Executive contracts

Remuneration arrangements for KMP are formalised in employment agreements. The following outlines the details of contracts with key management personnel:

Interim Chief Executive Officer
The Interim CEO, Michael Rosenbaum, is employed on a permanent full-time basis which can be terminated with notice from either side. Under the terms of the present contract The CEO receives fixed remuneration of $228,833 plus superannuation (currently 9.25%).

The CEO's termination provisions are as follows:

	Notice Period	Payment in Lieu of Notice
Resignation	3 months	3 months
Termination with cause	None	None
Termination in cases of redundancy or notice without cause	3 months	3 months

Chief Financial Officer (CFO)

The CFO, Mark Tayler, is employed on a permanent full-time basis which can be terminated with notice from either side. Under the terms of the present contract the CFO receives fixed remuneration of $183,066 plus superannuation (currently 9.25%). Mr Tayler was also Company Secretary for the period 17 January 2014 to 28 February 2014)

The CFO's termination provisions are as follows:

	Notice Period	Payment in Lieu of Notice
Resignation	3 months	3 months
Termination with cause	None	None
Termination in cases of redundancy or notice without cause	3 months	3 months

7. Non-executive Directors' remuneration

Directors' fees

The company's constitution and the ASX listing rules specify that the non-executive director fee pool shall be determined at a general meeting. The latest determination was at the general meeting held on 18 December 2013 when shareholders approved a pool of $200,000.

Performance based remuneration

Non-executive Directors are remunerated by way of cash benefits. They are not permitted to participate in performance based remuneration practices unless approved by shareholders. The Group currently has no intention to remunerate Non-executive Directors by any way other than cash benefits.

Equity-based remuneration

There is currently no equity-based remuneration plan in place for Non-executive Directors.

Non-executive Director remuneration table

The following table outlines the remuneration provided to NEDs for the year ended 30 June 2014 and 30 June 2013.

Non-Executive Directors		Short Term Benefits Salary & Fees $	Post Employment Superannuation $	Total $
Naseema Sparks	2014	48,020	4,442	52,462
	2013	63,774	5,740	69,514
Elliott Kaplan	2014	15,200	-	15,200
	2013	-	-	-
David Leslie	2014	7,787	720	8,507
	2013	-	-	-

Directors who resigned during the year did not receive any remuneration for 2014 and 2013.

8. Additional disclosure relating to shares

The table below discloses details of shares held by key management personnel in Mnemon Limited.

	Balance at 1 July 2013	Net change Other	Balance at 30 June 2014
Directors			
N. Sparks	-	4,604	4,604
Executives			
M. Rosenbaum	-	698,602	698,602

Signed in accordance with a resolution of the directors.

Naseema Sparks
Chairman
26 August 2014

Consolidated statement of profit and loss and comprehensive income
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Sales revenue		62,612	66,984
Other revenue	7(a)	1,326	848
Total revenue		**63,938**	**67,832**
Cost of goods sold		(48,903)	(56,242)
Gross profit		**15,035**	**11,590**
Expenses			
Marketing expenses		(3,453)	(4,350)
Occupancy expenses	7(c)	(2,301)	(2,133)
Impairment expense	7(d)	-	(3,398)
Employment and related costs		(7,067)	(10,440)
Finance costs		(200)	(26)
Other expenses	7(b)	(3,253)	(5,906)
Acquisition costs	7(e)	(639)	-
Restructuring and redundancy costs		(210)	(928)
Total expenses		**(17,123)**	**(27,181)**
Loss before tax		**(2,088)**	**(15,591)**
Income tax benefit/(expense)	18	(152)	223
Loss after tax		**(2,240)**	**(15,368)**
Discontinued operations			
Loss after tax from discontinued operations		-	(1,477)
Loss attributable to shareholders of the Company		**(2,240)**	**(16,845)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(2,240)**	**(16,845)**
Earnings per share (cents per share)			
Basic attributable to ordinary equity holders of the Parent	21	(20.3)	(1,235.2)
Diluted attributable to ordinary equity holders of the Parent		(20.3)	(1,235.2)
Earnings per share for continuing operations (cents per share)	21		
Basic attributable to ordinary equity holders of the Parent		(20.3)	(1,126.9)
Diluted attributable to ordinary equity holders of the Parent		(20.3)	(1,126.9)

Notes to the financial statements form part of the Financial Report and are included on pages 18 to 52.

Consolidated statement of financial position
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	8	5,813	1,079
Trade and other receivables	9	1,225	1,446
Inventories	10	6,452	6,275
Other assets		-	112
Total current assets		**13,490**	**8,912**
Non-current assets			
Property, plant and equipment	12	516	646
Intangible assets	13	2,603	93
Deferred tax asset	18	867	1,551
Total non-current assets		**3,986**	**2,290**
Total assets		**17,476**	**11,202**
Current liabilities			
Trade and other payables	15	10,773	11,071
Provisions	16	447	840
Convertible notes	26	-	2,000
Interest-bearing loans and borrowings		-	23
Total current liabilities		**11,220**	**13,934**
Non-current liabilities			
Trade and other payables	15	578	-
Provisions	16	362	26
Interest-bearing loans and borrowings		-	5
Total non-current liabilities		**940**	**31**
Total liabilities		**12,160**	**13,965**
Net assets		**5,316**	**(2,763)**
Equity			
Issued capital	19	25,967	15,907
Reserves	20	259	-
Accumulated losses		(20,910)	(18,670)
Total equity		**5,316**	**(2,763)**

Notes to the financial statements form part of the Financial Report and are included on pages 18 to 52.

Consolidated statement of changes in equity
For the year ended 30 June 2014

	Issued capital $'000	Share based payment $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2013	**15,907**	**-**	**(18,670)**	**(2,763)**
				-
Loss attributable to shareholders of the parent entity	-	-	(2,240)	**(2,240)**
Other comprehensive income for the year	-	-	-	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**(2,240)**	**(2,240)**
Conversion of options	1,403	-	-	**1,403**
Conversion of convertible notes	2,136	-	-	**2,136**
Issue of ordinary shares to acquire Mnemon Limited	6,340	-	-	**6,340**
Issue of ordinary shares to acquire Topbuy Australia Pty Limited	495	-	-	**495**
Reserves	-	259	-	**259**
	10,374	**259**	**-**	**10,633**
Costs of issuing capital	**(314)**	**-**	**-**	**(314)**
Balance at 30 June 2014	**25,967**	**259**	**(20,910)**	**5,316**
Balance at 1 July 2012	**7,201**	**-**	**(1,825)**	**5,376**
Loss attributable to shareholders of the parent entity	-	-	(16,845)	**(16,845)**
Other comprehensive income for the year	-	-	-	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**(16,845)**	**(16,845)**
Issue of ordinary shares	8,706	-	-	**8,706**
	8,706	**-**	**-**	**8,706**
Balance at 30 June 2013	**15,907**	**-**	**(18,670)**	**(2,763)**

Notes to the financial statements form part of the Financial Report and are included on pages 18 to 52.

Consolidated statement of cash flows
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		63,573	89,257
Payments to suppliers and employees		(64,848)	(96,776)
		(1,275)	(7,519)
Finance costs		(201)	(26)
Interest received		80	10
Income tax paid		(1)	-
Net cash used in operating activities	8	**(1,397)**	**(7,535)**
Cash flows from investing activities			
Purchase of Property, plant and equipment		(49)	(82)
Purchase of Intangibles		(27)	(1,047)
Cash acquired from subsidiary		4,754	-
Initial payment for purchase of controlled entities		(244)	(199)
Net cash provided by investing activities		**4,434**	**(1,328)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		2,557	7,191
Cost of ordinary share issues		(860)	-
Loans from/(to) related entities		-	-
Proceeds from borrowings		-	2,000
Repayment of interest-bearing loans and borrowings		-	(68)
Net cash provided by financing activities		**1,697**	**9,123**
Net increase in cash and cash equivalents		**4,734**	**260**
Cash and cash equivalents at the beginning of the financial year		1,079	819
Cash and cash equivalents at the end of the financial year		**5,813**	**1,079**

Notes to the financial statements form part of the Financial Report and are included on pages 18 to 52.

1. Corporate Information

The consolidated financial statements of Mnemon Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 26 August 2014.

Mnemon Limited (the Parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 4. Information on other related party relationships is provided in Note 23.

Mnemon Limited (ASX: MNZ) was a listed entity that had sold all operating subsidiaries. MNZ acquired DealsDirect Group Pty Limited ("DDG") and its subsidiary DealsDirect Pty Limited via reverse acquisition on 17 January 2014 with DDG assuming control of the Group. The acquisition was completed on an equity for equity basis with a simultaneous capital raising of $6.2m (5,127,000 shares at $1.20 per share) to make funds available for acquisitions in the e-commerce space and to fund working capital.

The transaction was a strategic opportunity to create a listed e-commerce entity with a mandate to consolidate e-commerce assets which can leverage DDG's scale and operating capability. Upon completion of the DDG acquisition, the company allotted 12,500,000 ordinary shares ($15,000,000) to the vendors of DealsDirect Group Pty Limited.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. Contingent consideration has been measured at fair value.

Due to the nature of the acquisition, these accounts reflect first time adoption of Australian Accounting Standards as per AASB1: First time adoption of Australian Accounting Standards. This did not have an impact on the Group's reported financial position, financial performance or Cash flows.

Reverse acquisition
When Mnemon Limited (the legal parent) acquired the Deals Direct Group (being Deals Direct Group Pty Limited and its controlled entities (subsidiaries), the acquisition was deemed to be a reverse acquisition. The consolidated financial statements are issued under the name of the legal parent (Mnemon Limited) but are a continuation of the financial statements of the deemed acquirer under the reverse acquisition rules (Deals Direct Group Pty Limited).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2.2 Statement of Compliance with IFRS and first-time adoption

For periods up to and including the year ended 30 June 2013, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2014, together with the comparative period data as at and for the year ended 30 June 2013.

Exemptions applied
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- The Group has applied the transitional provision in IFRIC 4 *Determining whether an Arrangement Contains a Lease* and has assessed all arrangements based upon the conditions in place as at the date of transition
- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under Local GAAP on qualifying assets prior to the date of transition to IFRS

2.3 Changes in accounting policy, disclosures, standards and interpretations

(i) Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows.

New and amended standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

- AASB 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7
- AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits (Revised 2011)
- Improvements to AASBs 2009-2011 Cycle
- Amendments to AASB 136 Impairment of Assets

The adoption of the standards or interpretations is described below:

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include AASB 10 Consolidated Financial Statements, AASB 119 Employee Benefits (Revised 2011), AASB 13 Fair Value Measurement and amendments to AASB 101 Presentation of Financial Statements. All other amendments to the standards have had no effect in the presentation of the consolidated financial statements.

The nature and the impact of each new standards and amendments is described below:

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

The Group adopted AASB 10 in the current year. All entities within the Group apply the same accounting policies and there have been no restatements required by adopting AASB 10. There have been no material impacts by adopting AASB 10.

AASB 127 would only apply in the separate financial statements of the Parent, if the Parent is required to present separate financial statements.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures.

Application of AASB 13 has not materially impacted the fair value measurements of the Group.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

AASB 101 Presentation of Items of Other Comprehensive Income – Amendments to AASB 101

The amendments to AASB 101 introduce a Grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

AASB 119 Employee Benefits (Revised 2011)

The Group applied AASB 119 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard.

AASB 119 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. The Group currently has no defined benefit plans and the revised changes to AASB 119 have no financial effect.

AASB 119 (Revised 2011) also requires more extensive disclosures. .

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136 Impairment of Assets

The Group has early adopted AASB 136 retrospectively in the current period.

These amendments remove the unintended consequences of AASB 13 on the disclosures required under AASB 136. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

The amendments of AASB 136 and subsequent AASB 2013-13 enable reduced disclosures of intangible goodwill, when there is no impairment.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2014, outlined below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-3	Offsetting Financial Assets and Financial Liabilities	Clarifies the offsetting rules in AASB 132 and explains when offsetting can be applied	1 Jan 2014	None	1 Jul 14
ASB 1031 revised, AASB 2013-9	Australian Conceptual Framework and Materiality and Financial Instruments	Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 2013-9 contains three main parts and makes amendments to a number Standards and Interpretations.	1 Jul 14	None	1 Jul 14
AASB 9	Financial Instruments	Adjusts the classification and measurement of financial assets and liabilities.	1 Jan 2018	The impact of the standard is yet to be assessed	1 Jul 2018
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.*	1 Jul 2014	The impact of the standard is yet to be assessed	1 Jul 2014
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.	1 Jan 2016	The impact of the standard is yet to be assessed	1 Jul 2016
IFRS 15	Revenue from Contracts with Customers	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 Jan 2017	The impact of the standard is yet to be assessed	1 Jul 2017

2.4 (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

For all business combinations an acquirer is identified as the entity that obtains control of the combining entities. The acquirer for accounting purposes need not be the legal parent entity. In situations where a number of existing entities are combined with a new legal parent entity, an existing entity can be the acquirer where the relevant factors include that it has control. This is referred to a reverse acquisition. The Group has identified a reverse acquisition, such that:

- Mnemon Limited is the legal parent entity of the Group and presents consolidated financial information; however
- The operating entity, DealsDirect Group Pty Limited, which is the legal subsidiary of Mnemon Limited, is deemed to be the accounting parent of the Group and the financial statements are presented as a continuation of the DealsDirect Group.

All subsidiaries are wholly owned and there are no minority interests.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Shipping fees
Revenue from shipping fees is recognised upon dispatch of customer orders.

Interest income
For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

(e) Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation legislation
Mnemon Limited and its wholly owned subsidiaries have formed a tax consolidated Group.

The head entity, Mnemon Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

Goods and service tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Property, plant and equipment	2.5 to 10 years
• Leasehold improvements	3.3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(h) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Software 2.5 to 4 years
- Customer database 10 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(j) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement or profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(l) Derivative financial instruments

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of four years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fourth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

(o) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

(p) Provisions

General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Restructuring provisions
Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled.

The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave, are expected to be wholly settled within 12 months and are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

(q) Fair value measurement

The Group measures financial instruments, such as, derivatives (forward exchange contracts), at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Discontinued operations and non-cash distribution

There were no discontinued operations in the financial year ended 30 June 2014. There were discontinued operations in the year ended 30 June 2013, with cash distributions and costs transferred to the Parent entity.

For more details on discontinued operations refer to Note 22.

Consolidation of a corporate entity

In January 2014, the legal Parent Entity, Mnemon Limited, acquired 100% of DealsDirect Group Pty Limited and its controlled entities. Refer to Note 5.

In May 2014 the Group acquired all the shares of TopBuy Australia Pty Limited (TopBuy). Refer to Note 5.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

As part of accounting for the acquisition of TopBuy Australia Pty Limited, contingent consideration with an estimated fair value of $1,486,250 was recognised at the acquisition date. Future developments may require further revisions to the estimate. The contingent consideration is classified within trade and other payables.

4. Information relating to subsidiaries

The consolidated financial statements of the Group include:

			Ownership interest	
Name of entity	**Principal activity**	**Country of incorporation**	**2014 %**	**2013 %**
Mnemon Limited		Australia		
DealsDirect Group Pty Limited (Note 1)	Online retailing	Australia	100	-
DealsDirect Pty Limited	Online retailing	Australia	100	100
TopBuy Australia Pty Limited (Note 2)	Online retailing	Australia	100	-
Shoppers Advantage Pty Limited	Online retailing	Australia	-	100
Shoppers Advantage (Australia) Pty Limited	Online retailing	Australia	-	100
DealSA Pty Limited	Online retailing	Australia	-	100
DealMe Pty Limited	Online retailing	Australia	-	100
DealsDirect.com.au Pty Limited	Online retailing	Australia	-	100

Note 1: DealsDirect Group Pty Limited and its subsidiary DealsDirect Pty Limited (known as the DealsDirect Group) was acquired by Mnemon Limited on 17 January 2014 by issue of the Parent Entity shares, acquiring all the shares in the subsidiary. The acquisition was done via reverse takeover.

Note 2: TopBuy Australia Pty Limited was acquired by DealsDirect Group Pty Limited on 7 May 2014 by a combination of shares issued in the Parent Entity and cash consideration. The acquisition of TopBuy Australia Pty Limited is accounted for under AASB 3 Business Combinations.

The holding company
Mnemon Limited is the ultimate holding company of the Group and is based and listed in Australia.

5. Business combinations

Acquisitions in 2014

Acquisition of DealsDirect Group Pty Limited and its subsidiary

On 17 January 2014, the Group acquired 100% of the issued securities of DealsDirect Group Pty Limited, an unlisted company based in Australia, operating in online retailing. The Group acquired DealsDirect Group Pty Limited because the emergence of online retail in Australia continues to disrupt traditional retail channels and there is significant scale and the opportunity to leverage strong e-commerce capabilities and create value through industry consolidation. DealsDirect Group Pty Limited is also one of Australia's leading online retailers having received Canstar's only 5 star rating for online department stores in 2012, 2013 and 2014.

The acquisition of DealsDirect Group Pty Limited is considered a reverse acquisition, with DealsDirect Pty Limited being considered the Parent for reporting purposes and the business combination being accounted for under this standard.

Acquisition of TopBuy Australia Pty Limited

On 7 May 2014, the Group acquired 100% of the issued securities of TopBuy Australia Pty Limited, an unlisted company based in Australia, operating in online retailing. The Group acquired TopBuy Australia Pty Limited because of the synergies that TopBuy Australia Pty Limited can bring into the Group being robust sourcing infrastructure in China and Hong Kong enabling direct order fulfilment to consumers in Australia, over 200,000 active customers and it is expected earnings will be accretive in the first year.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired entities as at the date of acquisition were:

	Mnemon Limited $'000	TopBuy Australia Pty Limited $'000
Assets		
Cash and cash equivalents	4,754	-
Trade receivables	1,972	-
Property, plant and equipment	-	-
Inventories	-	-
Deferred tax assets	-	-
Intangible assets	-	1,476
Total assets	**6,726**	**1,476**
Liabilities		
Trade payables	438	-
Future liabilities	-	-
Contingent liabilities	-	-
Borrowings	-	-
Provisions	-	-
Deferred tax liabilities	152	336
Total liabilities	**590**	**336**
Total identifiable net assets at fair value	**6,136**	**1,140**
Goodwill arising on acquisition	-	1,085
Listing expense incurred on reverse acquisition	204	-
Purchase consideration	**6,340**	**2,225**

Upon acquisition of DealsDirect Group Pty Limited and its subsidiary, the deferred tax assets available in the subsidiary were deemed to be of no value as the entity was not able to transfer the benefits to the Group as it failed the calculations available to transfer benefits between the Group. The deferred tax benefits have been excluded from this calculation.

The reverse acquisition by DealsDirect Pty Limited of Mnemon Limited comprises a dilutive effect of the net assets of the subsidiary, creating an accounting acquisition expense of $204,000.

The goodwill of $1,085,000 on acquisition of TopBuy Australia Pty Limited comprises of the value of expected synergies arising from the acquisition, which is not separately recognised.

None of the goodwill that has arisen from the acquisitions is expected to be deductible for income tax purposes.

Purchase consideration

	Mnemon Limited $'000	TopBuy Australia Pty Limited $'000
Fair value of notional shares issued	6,340	495
Cash consideration paid	-	244
Contingent consideration liability	-	1,486
Total purchase consideration	**6,340**	**2,225**

Deferred payments and contingent consideration

As part of the purchase agreement with the previous owners of TopBuy Australia Pty Limited, it was agreed that a significant portion of the payment consideration would be deferred, as set out below:

(a) $81,250, in cash, representing 25% of the total cash consideration, payable on the first anniversary date

(b) $577,500, in MNZ shares, representing 35% of the agreement, payable on the first anniversary date of the agreement, being Tranche Two

(c) $577,500, in MNZ shares, representing 35% of the agreement, on the second anniversary date of the agreement, being Tranche Three

Furthermore, as part of the purchase agreement with the previous owners of TopBuy Australia Pty Limited, an additional contingent consideration of MNZ shares to the value of $250,000 will be issued upon achievement of pre-agreed milestones. As at reporting date, the key milestones were achieved and the additional share consideration will be settled as soon as practicable but no later than 31 August 2014.

6. Segment information

The Group has determined that the Chief Operating Decision Maker (CODM) is the Board of Directors. The Group operates in a single segment only, being online retailing.

The information available throughout the annual financial report is reflective of the single segment.

7. Other income/expenses and adjustments

Profit before income tax has been arrived at after receiving the following revenues and charging the following expenses. The line items below are for the continuing operations of the Group. There were no discontinued operations during the financial year.

	2014 $'000	2013 $'000
(a) Included in other revenue in the statement of comprehensive income		
Interest income	80	10
Sundry sales income	1,246	612
Other revenue	-	226
	1,326	**848**

	2014 $'000	2013 $'000
(b) Included in other expenses in the statement of comprehensive income		
Bank fees and charges		
Bank fees	74	2
Merchant fees	810	983
Total bank fees and charges	**884**	**985**
Depreciation and amortisation		
Depreciation of non-current assets		
Plant and equipment from continuing operations	179	329
Amortisation of non-current assets		
Software from continuing operations	78	530
Total depreciation and amortisation	**257**	**859**
Information technology, warehousing and other general expense	2,112	4,062
Total Information technology, warehousing and other general expense	**2,112**	**4,062**
Total other expenses	**3,253**	**5,906**
(c) Occupancy expenses		
Utilities	156	181
Cleaning and monitoring	234	101
Minimum lease payments	1,911	1,851
Total occupancy expenses	**2,301**	**2,133**
(d) Impairment expense		
Impairment of non-current assets from continuing operations		
Plant and equipment	-	137
Software	-	591
Goodwill	-	2,670
Total impairment expense	**-**	**3,398**
(e) Acquisition costs		
Acquisition related expenses	176	-
Reverse acquisition costs	204	-
Options expense	259	-
Total acquisition related expenses	**639**	**-**

8. Cash and short term deposits

	2014 $'000	2013 $'000
Cash on hand	1,415	1,079
Cash on deposit	4,398	-
Cash and cash equivalents	**5,813**	**1,079**

(a) For the purpose of the statement of cash flows, cash and cash equivalents comprised the following at 30 June each year:

	2014 $'000	2013 $'000
Cash and cash equivalents	5,813	1,079

(b) Reconciliation of net (loss)/profit after tax to net cash flows (used in)/from operating activities

	2014 $'000	2013 $'000
(Loss)/profit after tax from continuing operations	(2,240)	(15,368)
(Loss)/profit after tax from discontinued operations	-	(1,477)
(Loss)/profit after tax	**(2,240)**	**(16,845)**
Adjustments to reconcile (loss)/profit after tax to net cash flows:		
Depreciation and amortisation expenses	257	1,107
Impairment expense	-	3,940
Foreign exchange movement	87	-
Share based payments	259	-
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	221	2,110
Decrease/(increase) in inventories	(177)	2,659
Decrease/(increase) in other assets	(43)	609
Decrease/(increase) in tax assets	684	(222)
(Decrease)/increase in trade and other payables	(388)	(806)
(Decrease)/increase in tax liabilities	-	-
(Decrease)/increase in provisions	(57)	(87)
Net cash flows (used in)/from operating activities	**(1,397)**	**(7,535)**

9. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade receivables	718	288
Allowance for doubtful debts	-	(67)
	718	**221**
Amounts receivable from director related entities	-	23
Other receivables	507	1,202
Total current trade and other receivables	**1,225**	**1,446**

Trade receivables are non-interest bearing and are generally required to be settled within 30 days after month end.

As at 30 June 2014, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	61-90 days	>90 days	Impaired
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2014	718	662	37	11	-	8	-
30 June 2013	288	221	-	-	-	-	67

Management has assessed the recoverability of those receivables older than 90 days as recoverable. Expectations are that the outstanding receivable will be settled within 90 days of 30 June 2014.

See below for the movements in the provision for impairment of receivables:

	Collectively impaired $'000	Total $'000
At 1 July 2012	-	-
Charge for the year	67	67
Utilised	-	-
Unused amounts reversed	-	-
At 30 June 2013	**67**	**67**
Charge for the year	12	12
Utilised	(67)	(67)
Unused amounts reversed	(12)	(12)
At 30 June 2014	-	-

10. Inventories

	2014 $'000	2013 $'000
Finished goods		
Finished goods (at lower of cost and net realisable value)	6,207	5,818
Stock in transit at cost	183	399
Warehouse consumables	62	58
Total inventory at the lower of cost and net realisable value	**6,452**	**6,275**

During the financial year $19,000 (2013: $286,000) was recognised as an expense to impair inventory to net realisable value. This is recognised in cost of sales.

11. Financial assets and financial liabilities

(a) Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The main risks the Group is exposed to through its financial instruments are liquidity risk, credit risk and exchange risk.

The Group manages liquidity risk by a combination of maintaining cash reserves, banking facilities and continuously monitoring forecast and actual cash flows.

Senior key management personnel of the Group also meet on a regular basis to analyse foreign exchange risk and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. Foreign exchange risk is discussed regularly at Board meetings, whereby Board is advised on strategies in place and proposed to mitigate risk exposures.

The Group seeks to minimise the effects of risk, by using derivative financial instruments to hedge these risk exposures where possible. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed regularly by the Audit and Risk Committee. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Risks are managed through sensitivity analysis to model the impact of changes upon the Group's profits.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Trade receivables consist of retail customers, spread across geographic areas and of varying demographic levels. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Fair value of financial instruments

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

(d) Categories of financial instruments

The following table details the carrying amounts of the Group's financial assets and financial liabilities. The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values.

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	5,813	1,079
Loans and receivables	1,225	1,446
Foreign exchange contracts	-	-
	7,038	**2,525**
Financial liabilities		
Trade and other payables	11,264	11,071
Convertible note	-	2,000
Liabilities measured at fair value:		
Foreign exchange contracts	87	-
	11,351	**13,071**

	2014			
Liabilities at fair value	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Foreign exchange contracts	-	87	-	**87**

	2013			
Liabilities at fair value	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Foreign exchange contracts	-	-	-	-

The fair value of derivative instruments is significantly affected by movements in the future value of USD$. Sensitivity of the valuation of the derivative liabilities to changes in these factors is shown below.

(e) Credit risk

Credit risk arises principally from the Group's receivables and cash and bank balances. Credit risk is kept continually under review and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due.

	Note	2014 $'000	2013 $'000
Cash and bank balances	8	5,813	1,079
Trade receivables	9	718	288
		6,531	**1,367**

The Group is not subject to any material customer credit risk as the majority of transactions require payment upfront before dispatch of goods.

Credit quality of a customer is assessed based on a credit rating analysis and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are monitored regularly.

(f) Liquidity risk management

The board has put in place liquidity risk management policies for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a combination of:

- continuously monitoring forecast and actual cash flows;
- arranging issues of securities as required.

To the extent possible maturity profiles of financial assets and liabilities are matched.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes principal and interest cash flows at the face value of the amount owing and therefore the figures can differ from those shown in the financial statements.

	Contractual repayment amount $'000	6 months or less $'000	6-12 months $'000	1-5 years $'000
2014				
Trade payables	8,850	8,850	-	-
Other payables	2,414	1,258	578	578
Foreign exchange contracts	87	87	-	-
Convertible debt	-	-	-	-
	11,351	**10,195**	**578**	**578**
2013				
Trade payables	8,210	8,210	-	-
Other payables	2,861	2,861	-	-
Foreign exchange contracts	-	-	-	-
Convertible debt	2,000	-	2,000	-
	13,071	**11,071**	**2,000**	**-**

(g) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not subject to any significant interest rate risk.

(h) Foreign currency risk management

The Group is exposed to foreign currency risk through its anticipated purchases of inventory. The Group's risk management policy is to hedge its risk against foreign exchange timing differences. The Group manages its risk via a framework administered by the Audit and Risk Committee. Policies are in place that limit the range of instruments that can be entered into, delegation of trading limits and provide for regular reporting of exposures. The current policy is that the Group will enter in to a forward exchange contract to acquire US dollars sufficient to cover 75% of anticipated purchases in the forthcoming quarter.

(i) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign exchange rate movements at the reporting date. A range of changes are assumed to take place at the end of the financial year. The sensitivity rates shown below are the amounts used when reporting the relevant risk internally to key management personnel and represents management's assessment of the possible change. The analysis includes only outstanding monetary items. The sensitivity impact is on the loss after tax.

	2014 $'000	2013 $'000
Impact on net loss after tax of movement		
Foreign exchange rate - 5 percent increase in rates	58	-
Foreign exchange rate - 5 percent decrease in rates	64	-

12. Property, plant and equipment

	Plant & equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
Cost				
At 1 July 2012	2,722	38	322	**3,082**
Additions purchases	82	-	-	**82**
At 30 June 2013	**2,804**	**38**	**322**	**3,164**
Additions	36	-	13	**49**
At 30 June 2014	**2,840**	**38**	**335**	**3,213**
Depreciation and impairment				
At 1 July 2012	1,608	25	322	**1,955**
Depreciation	413	13	-	**426**
Impairment	137	-	-	**137**
At 30 June 2013	**2,158**	**38**	**322**	**2,518**
Depreciation	178	-	1	**179**
At 30 June 2014	**2,336**	**38**	**323**	**2,697**
Net book value				
At 30 June 2013	**646**	**-**	**-**	**646**
At 30 June 2014	**504**	**-**	**12**	**516**

The impairment losses recognised in respect of property, plant and equipment in 2014: nil (2013: $137,000).

13. Intangible assets

	Software $'000	Customer database $'000	Goodwill $'000	Total $'000
Cost				
At 1 July 2012	1,563	-	1,096	**2,659**
Additions	1,046	-	1,848	**2,894**
At 30 June 2013	**2,609**	**-**	**2,944**	**5,553**
Additions	27	-	-	**27**
Acquisition of subsidiary	356	1,120	1,085	**2,561**
At 30 June 2014	**2,992**	**1,120**	**4,029**	**8,141**
Amortisation and impairment				
At 1 July 2012	804	-	135	**939**
Amortisation	770	-	-	**770**
Impairment	942	-	2,809	**3,751**
At 30 June 2013	**2,516**	**-**	**2,944**	**5,460**
Amortisation	78	-	-	**78**
Impairment	-	-	-	**-**
At 30 June 2014	**2,594**	**-**	**2,944**	**5,538**
Net book value				
At 30 June 2013	**93**	**-**	**-**	**93**
At 30 June 2014	**398**	**1,120**	**1,085**	**2,603**

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the direct entity it relates to.

14. Impairment testing of goodwill and intangibles with indefinite lives

The purchase consideration for TopBuy was determined based on management's review of TopBuy's performance in prior years as well as the synergies that will arise upon combining TopBuy with the DealsDirect brand. At balance date, management is of the view that TopBuy has performed according to expectation in the short time post acquisition.

An impairment expense of $3.4m was recognised in the FY13 accounts. This expense was in relation to the closure of non-performing business units Shoppers Advantage Pty Ltd and DealMe Pty Ltd. All goodwill and associated intangible assets pertaining to these businesses were written off in FY13.

15. Trade and other payables

	2014 $'000	2013 $'000
Current liabilities		
Trade payables	8,272	8,210
Other payables	2,018	1,862
Gift vouchers and customer credits	97	170
Unearned income	299	829
	10,686	**11,071**
Other current liabilities		
Foreign exchange payable	87	-
	10,773	**11,071**
Non-current liabilities		
Other payables	578	-
Total Other payables	**11,351**	**11,071**

16. Provisions

	Make-good $'000	Customer refunds $'000	Annual leave $'000	Long service leave $'000	Total $'000
At 1 July 2013	320	104	303	139	866
Arising during the year	-	97	348	69	514
Written back during the year	-	-	-	(47)	(47)
Utilised	-	(108)	(379)	(37)	(524)
At 30 June 2014	320	93	272	124	809
Current	-	93	272	82	447
Non-current	320	-	-	42	362
	320	93	272	124	809

17. Commitments and contingencies

Operating lease commitments (Group as a lessee)

	2014 $'000	2013 $'000
No later than 1 year	2,083	2,213
Later than 1 year and not later than 5 years	241	2,324
Later than five years	-	-
	2,324	**4,537**

Commercial leases entered into relating to office and warehouse facilities have lease terms of between 1 and 2 years

Finance leases

	2014		2013	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
No later than 1 year	-	-	11	11
Later than 1 year and not later than 5 years	-	-	-	-
Later than five years	-	-	-	-
	-	**-**	**11**	**11**
Less values representing finance charges	-	-	-	-
	-	-	11	11

The Group had previously entered into financial leases and hire purchase agreements for various items of plant and machinery. These leases have now been finalised and there are no outstanding financial leases or hire purchase agreements.

Commitments

The Group had no other commitments outstanding at 30 June 2014 (2013 $nil).

18. Income taxes

	2014 $'000	2013 $'000
(a) Income tax benefit		
Current income tax (expense)/benefit	(152)	223
Total income tax benefit	**(152)**	**223**
(b) Reconciliation of tax benefit and pre-tax profit		
Accounting loss from continuing operations before income tax expense	(2,088)	(15,840)
Accounting loss from discontinued operations before income tax expense	-	(1,228)
	(2,088)	**(17,068)**
Income tax calculated at 30% (2013: 30%)	626	5,120
Current year losses not brought to account	-	(3,103)
Current year timing adjustments	(807)	(1,031)
Under/(over) for prior year tax return	-	(8)
Adjusments of expenditure for income tax purposes	29	(755)
Income tax benefit/(expense)	**(152)**	**223**
(c) Tax losses not brought to account		
Unused tax losses for which no deferred tax asset has been recognised	**-**	**4,135**
(d) Deferred tax assets/(liabilities)		
Provisions	146	899
Accruals	4	121
Employee entitlements	119	132
Accelerated depreciation for accounting purposes	-	348
Other	344	51
Current year tax benefits	590	-
Deferred tax liabilities from acquisitions	(336)	-
	867	**1,551**

19. Issued capital

	2014	2013
	$'000	$'000
19,090,000 ordinary shares (2013: 1,885,000)	25,967	15,907
Total shares on issue	**25,967**	**15,907**

Movements in fully paid ordinary shares		**2014**		**2013**
	No. '000	**$'000**	**No. '000**	**$'000**
Balance at beginning of financial year	1,885	15,907	907	7,201
Ordinary shares				
Issue of ordinary shares	-	-	978	8,706
Conversion of options	4,679	1,403	-	-
Conversion of convertible notes and interest	5,936	2,136		
Issue of ordinary shares to acquire Mnemon Limited	6,297	6,340	-	-
Issue of ordinary shares to acquire Topbuy Australia Pty Limited	293	495	-	-
	17,205	**10,374**	**978**	**8,706**
Costs to issue capital	-	(314)	-	-
	-	**(314)**	**-**	**-**
	19,090	**25,967**	**1,885**	**15,907**

20. Reserves

	2014	2013
	$'000	$'000
Share based payments reserve	259	-
	259	-

Share based payments reserve (i)		
Balance at 1 July 2013	-	-
Transfer to equity value of options exercised into issued capital	-	-
Issue of options	259	-
Balance at 30 June 2014	259	-

21. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2014 $'000	2013 $'000
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	(2,240)	(15,368)
Discontinued operations	-	(1,477)
Profit attributable to ordinary equity holders of the Parent adjusted for the effect of dilution	**(2,240)**	**(16,845)**
	'000	**'000**
Weighted average number of ordinary shares for basic EPS	11,014	1,364
Effect of dilution		
Shares used to determe diluted earnings per share	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	11,014	1,364

The weighted average number of shares for basic and diluted EPS calculations will only take into account the shares issued in relation to the reverse listing from the 17th January 2014. Closing shares on issue at 30 June were 19,090.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the EPS amounts for discontinued operation, the weighted average number of ordinary shares for both basic and diluted EPS is as per the table above.

22. Discontinued operations

There were no discontinued operations in the financial year ended 30 June 2014

Discontinued operations occurred in the previous financial year ended 30 June 2013 and related to the Group's subsidiaries:

- DealSA Pty Ltd
- DealMe Pty Limited
- Shoppers Advantage Australia Pty Limited
- Shoppers Advantage Pty Limited
- DealsDirect.com.au Pty Ltd

Distributions were finalised by 30 June 2013 and deregistration for all entities, excluding DealSA, which occurred by 30 June 2014.

	2014 $'000	2013 $'000
Revenue	-	9,357
Expenses	-	(10,292)
Gross profit/Loss	**-**	**(935)**
Impairment loss	-	(542)
Profit/(loss) before tax from discontinued operations	**-**	**(1,477)**
Tax income/(expense)	-	-
Related to current pre-tax profit/(loss)	-	-
Related to measurement to fair value less costs of disposal (deferred tax)	-	-
	-	**(1,477)**

The major classes of assets and liabilities were distributed to the equity holders of the Parent by 30 June 2013.

23. Related party transactions

Equity interests in related parties
Details of the subsidiaries within the consolidated entity and the percentage of ordinary shares held are disclosed in Note 4.

Directors and key management personnel
In April 2014, DealsDirect Group contracted Zolude Pty Ltd for advisory services in relation to the TopBuy acquisition. The total amount paid to Zolude was $35,000 (excl. GST) of which current non-executive director David Leslie received 50% of these fees.

Transactions with Key Management Personnel
During the year, Key Management Personnel were entitled to purchase goods from DealsDirect Pty Limited (DealsDirect.com.au) at a discounted price being cost plus 10% plus GST. The total purchases made by Key Management Personnel was $3,874 (2013: $5,900).

Compensation of Key Management Personnel

	2014	**2013**
	$'000	**$'000**
Short-term employee benefits	414	352
Post-employment benefits	38	31
	452	**383**

24. Remuneration of auditors

	2014	**2013**
	$	**$**
Fees charged by the auditor of the Company		
Audit or review of the financial report	106,764	38,000
Accounting assistance	65,370	4,000
	183,054	**55,000**

During the year, the legal Parent, Mnemon Limited recommended changing audit firms from BDO (South Australia) to Ernst & Young. This recommendation was approved at an Extraordinary General Meeting of shareholders on 17 January 2014.

The information provided includes all audit and assurance services for DealsDirect Group from beginning of the financial year, commencing 1 July 2013, to reporting date, 30 June 2014 and Mnemon Limited from 17 January 2014 (being the acquisition date).

25. Parent entity information

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity, less any impairment.

(a) Financial position

Assets	2014 $'000	2013 $'000
Current assets	4,358	305
Non-current assets [(i)]	17,243	-
Total assets	**21,601**	**305**
Liabilities		
Current liabilities	163	200
Non-current liabilities	-	-
Total liabilities	**163**	**200**
Net assets	**21,438**	**105**
Equity		
Issued capital	25,687	4,694
Retained earnings	(4,249)	(4,589)
Total equity	**21,438**	**105**

(i) Non-current assets for the Parent entity relate to:

- Investment of $15,000,000 in its subsidiary DealsDirect Group Pty Limited
- Investment in TopBuy Australia Pty Ltd, initial consideration of $495,000
- Intercompany loans of $1,764,000

(b) Financial performance

	2014 $'000	2013 $'000
Profit / (loss) for the year	(410)	(792)
Other comprehensive income	750	3,342
Total financial performance	**340**	**2,550**

(c) Contingent liabilities

Nil

(d) Issued capital

	2014 No. '000	2014 $'000	2013 No. '000	2013 $'000
Balance at beginning of financial year	208,789	4,694	208,789	10,540
Return of capital	-	-	-	(5,846)
Placement of shares for cash	-	-	-	-
Ordinary issue of shares - October 2013	25,000	150	-	-
Share consolidation (200:1)	(232,620)	-	-	-
Ordinary issue of shares - January 2014	4,167	5,000	-	-
Ordinary issue of shares - January 2014	12,500	15,000	-	-
Ordinary issue of shares - January 2014	961	1,153	-	-
Ordinary issue of shares - May 2014	293	495	-	-
	(189,699)	21,798	-	-
Cost of share issue	-	(805)	-	-
Total ordinary shares on issue	**19,090**	**25,687**	**208,789**	**4,694**

26. Convertible notes

At 30 June 2014, DealsDirect Group Pty Limited (DDG) had $nil (2013: $2,000,000) convertible notes on issue. The notes were originally issued in June 2013 and converted to shares in DDG on 17 January 2014 prior to the scrip-for-scrip acquisition of DDG by Mnemon Limited. 80,000 notes, with a face value of $25 each, were converted to 80,000 DDG shares. In addition, $136,110, representing interest at the rate of 12% per annum up to 10 January 2014, was converted to 5,444 DDG shares. An amount of $4,603 of interest was paid to the holders of each note at conversion date.

27. Subsequent events

On 5 August 2014, the company announced that it had agreed to merge with Grays (Aust) Holdings Pty Limited (Grays). The transaction, if completed, will result in a combination of the Mnemon businesses with the Grays business.

The transaction will see MNZ acquire 100% of Grays via a scrip-for-scrip offer to Grays shareholders, significantly increasing the market capitalisation of the Group.

MNZ and Grays have entered into a Merger Implementation Agreement (MIA) that will be effected by a sale and purchase agreement. The MIA is subject to customary conditions (including no shop and no talk restrictions).

The transaction is subject to shareholder approval and ASX waivers.

In accordance with a resolution of the directors of Mnemon Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Mnemon Limited Limited for the financial year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2; and
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

On behalf of the board

N. Sparks
Chairman

26 August 2014

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Auditor's Independence Declaration to the Directors of Mnemon Limited

In relation to our audit of the financial report of Mnemon Limited for the financial year ended 30 June 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Lisa Nijssen-Smith
Partner
26 August 2014

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Independent auditor's report to the members of Mnemon Limited

Report on the financial report

We have audited the accompanying financial report of Mnemon Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit and loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included, by reference, in the directors' report.

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Opinion

In our opinion:

a. the financial report of Mnemon Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 13 the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mnemon Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
26 August 2014